

COUNTY OF SAN BERNARDINO
CALIFORNIA
SPECIAL DISTRICTS
AUDIT REPORT
BIG BEAR VALLEY PARK AND RECREATION DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Prepared by:
Internal Audits Section
Office of the Auditor/Controller-Recorder
April 24, 2008

**County of San Bernardino Special Districts
Big Bear Valley Park and Recreation District
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Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK
Assistant Auditor/Controller-Recorder
Assistant County Clerk

Independent Auditor's Report

April 24, 2008

Thomas Sutton, Director
Special Districts
157 West Fifth Street, Second Floor
San Bernardino, CA 92415-0450

**SUBJECT: AUDIT OF BIG BEAR VALLEY PARK AND RECREATION DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Introductory Remarks

In compliance with Section 26909 of the California Government Code, we have completed an audit of Big Bear Valley Park and Recreation District for the fiscal year ended June 30, 2007.

Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining aggregate fund information of the County of San Bernardino Special District's Big Bear Valley Park and Recreation District (District), a component unit of the County of San Bernardino, California, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining aggregate fund information of the District, as of June 30, 2007, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and the state regulations governing Special Districts.

The accompanying budgetary comparison information on pages 24-25 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: Howard Ochi, CPA
Internal Audits Manager

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**County of San Bernardino
Big Bear Valley Park and Recreation District
Statement of Net Assets
June 30, 2007**

Governmental
Activities

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,689,105
Interest receivable	28,072
Taxes receivable	160,547
Total current assets	<u>2,877,724</u>
Noncurrent assets	
Capital assets:	
Land	171,057
Improvements to land	1,183,236
Structures and improvements	1,450,154
Construction in progress	294,516
Vehicles and equipment	168,022
Accumulated depreciation	<u>(1,438,494)</u>
Total noncurrent assets	<u>1,828,491</u>
Total assets	<u><u>\$ 4,706,215</u></u>

LIABILITIES

Current liabilities	
Salaries and benefits payable	\$ 71,049
Noncurrent liabilities	
Compensated absences payable	<u>100,206</u>
Total liabilities	<u>171,255</u>

NET ASSETS

Invested in capital assets	1,828,491
Unrestricted	<u>2,706,469</u>
Total net assets	<u>4,534,960</u>
Total liabilities and net assets	<u><u>\$ 4,706,215</u></u>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino
Big Bear Valley Park and Recreation District
Statement of Activities
For the Fiscal Year Ended June 30, 2007**

	Governmental Activities
EXPENSES	
Salaries and benefits	\$ 1,299,360
Services and supplies	847,768
Professional fees	273,193
Depreciation	88,160
Total expenses	<u>2,508,481</u>
PROGRAM REVENUES	
Charges for services	873,487
Intergovernmental assistance--Senior Nutrition Program	59,027
Operating grants & contributions	10,755
Total program revenues	<u>943,269</u>
Net program (expense) revenue	<u>(1,565,212)</u>
GENERAL REVENUES	
Property taxes	1,679,221
State assistance--Homeowners Exemption	21,917
Investment earnings	108,124
Other	2,008
Total general revenues	<u>1,811,270</u>
Change in net assets	246,058
Net assets - beginning	<u>4,288,902</u>
Net assets - ending	<u><u>\$ 4,534,960</u></u>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino
Big Bear Valley Park and Recreation District
Balance Sheet
Governmental Funds
June 30, 2007**

	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUND	Total Nonmajor Governmental Funds	Total Governmental Funds
	General (SSA)	Zoo (SSF)	Mooridge Animal Park Relocation (CRR)		
ASSETS					
Cash and cash equivalents	\$ 806,470	\$ 167,204	\$ 1,618,060	\$ 97,372	\$ 2,689,106
Interest receivable	7,219	1,505	18,472	876	28,072
Taxes receivable	160,547	-	-	-	160,547
Total assets	\$ 974,236	\$ 168,709	\$ 1,636,532	\$ 98,248	\$ 2,877,725
LIABILITIES AND FUND BALANCES					
Liabilities:					
Salaries and benefits payable	\$ 54,469	\$ 16,581	\$ -	\$ -	\$ 71,050
Total liabilities	54,469	16,581	-	-	71,050
Fund balances:					
Reserved for:					
Imprest cash	50,974	-	-	-	50,974
Encumbrances	-	-	-	3,020	3,020
Unreserved:					
Undesignated	868,793	152,128	1,636,532	95,228	2,752,681
Total fund balances	919,767	152,128	1,636,532	98,248	2,806,675
Total liabilities and fund balances	\$ 974,236	\$ 168,709	\$ 1,636,532	\$ 98,248	

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,828,491
Compensated absences payable are not financial resources and, therefore, are not reported in the funds.	(100,206)
Net assets of Governmental Activities	\$ 4,534,960

The accompanying notes are an integral part of these financial statements.

County of San Bernardino
Big Bear Valley Park and Recreation District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	SPECIAL REVENUE FUND		CAPITAL PROJECT FUND		
	General Fund (SSA)	Zoo (SSF)	Moonridge Animal Park Relocation (CRR)	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 1,580,315	\$ 98,906	\$ -	\$ -	\$ 1,679,221
State assistance	21,917	-	-	-	21,917
Intergovernmental assistance--					
Senior Nutrition Program	21,827	-	-	37,200	59,027
Investment earnings	24,773	6,318	70,694	6,339	108,124
Charges for services	461,030	412,458	-	-	873,488
Operating grants & contributions	-	4,936	-	5,820	10,756
Other	2,008	-	-	-	2,008
Total revenues	2,111,870	522,618	70,694	49,359	2,754,541
EXPENDITURES					
Salaries and benefits	1,008,747	298,518	-	-	1,307,265
Services and supplies	691,786	132,298	-	23,685	847,769
Professional services	218,264	54,930	-	-	273,194
Capital outlay					
Structures and improvements	-	-	9,569	42,177	51,746
Total expenditures	1,918,797	485,746	9,569	65,862	2,479,974
Excess of revenues over (under) expenditures	193,073	36,872	61,125	(16,503)	274,567
OTHER FINANCING SOURCES (USES)					
Transfers in	22,567	-	-	7,449	30,016
Transfers out	(7,449)	-	-	(22,567)	(30,016)
Total other financing sources (uses)	15,118	-	-	(15,118)	(0)
Net change in fund balance	208,191	36,872	61,125	(31,621)	274,567
Fund balances - beginning	711,576	115,256	1,575,407	129,869	2,532,108
Fund balances - ending	\$ 919,767	\$ 152,128	\$ 1,636,532	\$ 98,248	\$ 2,806,675

**County of San Bernardino
Big Bear Valley Park and Recreation District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended June 30, 2007**

Net change in Fund Balances - Total Governmental Funds	\$	274,567
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$51,746) exceeded depreciation expense (\$88,159) in the current period.		(36,414)
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Some expenditures in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds:

Decrease (Increase) in employee compensated absences payable		<u>7,905</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>246,058</u></u>
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**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Big Bear Valley Park and Recreation District (District) is located within the County of San Bernardino. The District has governmental powers as established by the San Bernardino County Government Charter. The County was established in 1852 as a legal subdivision of the State of California.

The District was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on April 23, 1934. The District maintains nine parks, including a zoo, swim beach, and a senior center.

The District is a component unit of the County of San Bernardino and is governed by the actions of the County Board of Supervisors.

The accompanying financial statements reflect only the accounts of the Big Bear Valley Park and Recreation District of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the District meets the reporting entity criteria established by the Government Accounting Standards Board (GASB), the District's financial statements have also been included in the Comprehensive Annual Financial Report of the County of San Bernardino as a "component unit" for the fiscal year ended June 30, 2007.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the reporting entity. For the most part, the effect of interfund activity has been eliminated from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Currently, the District does not have any proprietary or fiduciary fund types. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. However, for revenue derived from voluntary non-exchange transactions, such as federal and state grants, the County expanded its definition of "available" to 9 months. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

The *special revenue fund* labeled "General" is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue fund* labeled "Zoo" accounts for the Moonridge Animal Park Zoo and zoo projects.

The *capital projects fund* labeled "Moonridge Animal Park Relocation" is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents include the cash balances of substantially all funds, which are pooled and invested by the County Treasurer to increase interest earning through investment activities.

Investment activities are governed by the California Government Code Sections 53601, 53635, and 53638 and the County's Investment Policy. Authorized investments include U.S. Government Treasury and Agency securities, bankers' acceptances, commercial paper, medium-term notes, mutual funds, repurchase agreements, and reverse repurchase agreements.

Interest income and realized gains and losses earned on pooled investments are deposited quarterly to the CSA's accounts based upon the CSA's average daily deposit balances during the quarter. Unrealized gains and losses of the pooled investments are distributed to the CSA annually. Cash and cash equivalents are shown at fair value as of June 30, 2007.

Property taxes

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties after December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on the March 1 lien date and become delinquent with penalties after August 31.

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Capital assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of two years. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10 - 100
Structures and improvements	Up to 45
Equipment and vehicles	5 - 15

Net assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contribution of capital. Net assets are classified in the following three components:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

- Unrestricted – This component of net assets consists of net assets of the County that are not restricted for any project or other purpose.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Stewardship, compliance and accountability

A. Budgetary information

In accordance with provisions of Section 29000 - 29143 of the Government code of the State of California, commonly known as the County Budget Act, the District prepares and adopts a budget on or before August 30 for each fiscal year.

Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub-object level for capital assets within each fund.

Amendments or transfers of appropriations between funds or departments must be approved by the Board. Transfers at the sub-object level or cost center level may be done at the discretion of the Special District's Administration Department head. Any deficiency of budgeted revenues and other financing resources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 2: CASH AND INVESTMENTS

Cash and investments include the cash balances of substantially all funds which are pooled (the "pool") and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7 – like pool. The pool does not issue a separate report. Included also are cash and investments held by certain joint powers authorities and cash held by various trustee financial institutions in accordance with the California Government Code.

State law now requires that all operating monies of the County, school districts, and board-governed special districts be held by the County Treasurer. The net asset value associated with legally mandated participants in the asset pool was \$3.94 billion at June 30, 2007.

As of June 30, 2007, the fair value of the County Pool was \$3.96 billion. Approximately 9% of the County pool is attributable to the County General Fund, with the remainder of the balance comprised of other County funds, school districts and special districts.

Additionally, as of June 30, 2007, \$27.3 million of the amounts deposited in the County pool was attributable to depositors who are not required to, but choose to, invest in the County pool. These include independent special districts, State Trial Court, and other governmental agencies. The deposits held for both involuntary and voluntary entities are reported in the Investment Trust Fund.

Investments authorized by debt agreement

Investment of debt proceeds held by bond trustees are governed by provisions of the general provisions of the California Government Code. Certificates of Participation and trust agreements, created in connection with the issuance of debt rather than the Revenue Bond indentures specify the types of securities in which proceeds may be invested as well as any related insurance, collateral, or minimum credit rating requirements. Although requirements may vary between debt issues, money market funds are all required to be investment grade. Guaranteed investment contracts are required to be acceptable to the municipal bond insurer. The fair value of investments is based on the valuation provided by trustee banks.

Investment credit risk

Investment credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB Statement No. 40 requires the disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities.

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 2: CASH AND INVESTMENTS – *Continued*

California Law and San Bernardino County Treasury Pool Investment Policy (where more restrictive) place limitations on the purchase of investments in the County Pool.

Purchases of commercial paper and negotiable certificates of deposit are restricted to the top two ratings issued by a minimum of two of three nationally recognized statistical rating organizations (NRSRO's). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch) while an issuer of long-term corporate debt must have a minimum letter rating of "AA". Federal Agency notes and bonds, municipal notes and bonds, and money market mutual funds must have a minimum letter rating of "AAA". Limits are also placed on the maximum percentage investment by sector and by individual issuer (see schedule on page 16). As of June 30, 2007, all investments held by the County Pool were within policy limits.

Concentration of credit risk

An increased risk of loss occurs as more investments are acquired from one issuer (i.e. lack of diversification). This results in a concentration of credit risk.

GASB Statement No. 40 requires disclosure of investments by amount and issuer that represent five-percent or more of total investments held. This requirement excludes investments issued or explicitly guaranteed by the United States Government, investments in mutual funds, external investment pools, and other pooled investments. As of June 30, 2007, the following issuers represented more than five-percent of the County Pool balance (amounts in thousands):

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
FHLB	\$ 886,893	22.52%
FNMA	\$ 612,422	15.55%
FFCB	\$ 393,736	10.00%

Interest rate risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Generally, the longer the maturity of an investment, the greater the interest rate risk associated with that investment.

GASB Statement No. 40 requires that interest rate risk be disclosed using a minimum of one of five approved methods which are: segmented time distribution, specific identification, weighted average maturity, duration, and simulated model.

The County manages its exposure to interest rate risk by carefully matching cash flows and maturing positions to meet expenditures, limiting 40% of the County Pool to

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 2: CASH AND INVESTMENTS – Continued

maturities of one year or less, and by maintaining an overall effective duration of 1.5 years or less. Duration is a measure of a fixed income's cash flow using present values, weighted for cash flows as a percentage of the investments full price. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments as callable bonds.

California Law and where more restrictive, the San Bernardino County Pool Investment Policy, place limitations on the maximum maturity of investments to be purchased by sector (see schedule, amounts in thousands). As of June 30, 2007, all investments held by the County Pool were within policy limits.

Security Type	Fair Value	Maturity Range (Days)	Maturity Limits	Average Maturity	Effective Duration
Certificates of Deposit	\$ 749,492	6 - 347	365 days	164	0.43
Commercial Paper	696,004	2 - 101	270 days	19	0.05
Corporate Notes	9,392	490	18 months	490	1.26
Federal Agencies	2,240,223	11 - 1059	5 years	472	1.13
Money Market Funds	25,000	1	Imm. Liq.	1	0.003
Repurchase Agreements	100,001	2	180 days	2	0.005
U.S. Treasuries	144,384	46 - 777	5 years	231	0.61
Total Securities	<u>\$ 3,964,496</u>			<u>311</u>	<u>0.75</u>

Custodial credit risk

Custodial Credit Risk for Deposits exists when, in the event of a depository financial institution failure, a government may be unable to recover deposits, or recover collateral securities that are in the possession of an outside party.

GASB Statement No. 40 requires the disclosure of deposits into a financial institution that are not covered by FDIC depository insurance and are uncollateralized.

California Law requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2007, the carrying amount of the County's deposits was \$58.1 million and the corresponding bank balance was \$69.6 million. The difference of \$11.5 million was primarily due to outstanding warrants, wires and deposits in transit. Of the bank

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 2: CASH AND INVESTMENTS – Continued

balance, \$200,000 was insured by the FDIC depository insurance and \$69.4 million was uncollateralized and not insured by FDIC depository insurance.

Custodial Credit Risk for Investments exists when, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

In order to limit Custodial Credit Risk for Investments, San Bernardino County Pool Investment Policy requires that all investments and investment collateral be transacted on a delivery versus payment basis with a third-party custodian and registered in the County's name. All counterparties to repurchase agreements must sign a PSA Master Repurchase Agreement and/or Tri-Party Repurchase Agreement before engaging in repurchase agreement transactions.

A summary of the investments held by the County Treasurer is as follows (amounts in thousands):

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>S&P Rating</u>	<u>Moody's Rating</u>	<u>Fitch Rating</u>	<u>Maximum Allowed % of Portfolio</u>	<u>Individual Issuer Limitations</u>	<u>% of Pool 06/30/07</u>
U.S. Treasury Securities	\$ 144,535	\$ 144,384	AAA	Aaa	AAA	100%	None	3.00%
U.S. Government Agencies	2,246,987	2,240,223	AAA	Aaa	AAA	75%	None	56.90%
Negotiable Certificates of Deposit	750,144	749,492	A1+	P1	F1+	30%	\$100MM	19.00%
Commercial Paper	692,120	696,004	A1+	P1	F1+	40%	10\$	17.00%
Corporate Notes	9,478	9,392	AA	Aa1	AA+	10%	\$50MM	0.30%
Money Market Mutual Funds	25,000	25,000	AAA	Aaa	AAA	15%	10%	0.50%
Repurchase Agreements	100,000	100,001	A1	P1	F1+	40%	None	2.50%
Total Treasurer's Pooled Investments	\$ 3,968,264	\$ 3,964,496						
Investments Controlled by Fiscal Agents:								
Guaranteed Investment Contracts	35,917	35,917						
U.S. Treasury Securities	84,372	84,372						
U.S. Agency Discount Notes	6,603	6,603						
Total Investments Controlled by Fiscal Agents	\$ 126,892	\$ 126,892						
Total Investments	\$ 4,095,156	\$ 4,091,388						
Cash in Banks:								
Non-Interest Bearing Deposits		\$ 58,066						
Total Cash and Investments		\$ 4,149,454						

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 2: CASH AND INVESTMENTS – Continued

As of June 30, 2007, Cash and Investments for Big Bear Valley Park and Recreation are classified in the accompanying financial statements as follows:

	Total Governmental Activities
Cash and cash equivalents	<u>\$ 2,689,105</u>
Total cash and cash equivalents	<u>\$ 2,689,105</u>

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2007 (amounts in thousands):

Statement of Net Assets	
Equity of internal pool participants	\$ 1,698,508
Equity of external pool participants:	
Voluntary	27,346
Involuntary	2,238,642
Total Net Assets held for pool participants	<u>\$ 3,964,496</u>

Statement of Changes in Net Assets	
Net Assets at July 1, 2006	\$ 3,335,214
Net change in investments by pool participants	629,282
Net Assets at June 30, 2007	<u>\$ 3,964,496</u>

NOTE 3: EMPLOYEE COMPENSATED ABSENCES

Accumulated vacation, holiday benefits, sick pay and compensatory time are recorded as an expense and liability as the benefits are earned. Compensated absence liabilities are recorded as a noncurrent liability. The District is not obligated to pay for unused sick leave if an employee terminates or retires.

Compensated absences activity for the year ended June 30, 2007 is as follows:

Beginning Balance	Additions	Deletions	Ending Balance
\$ 108,111	\$ 70,404	\$ 78,309	\$ 100,206

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 4: CAPITAL ASSETS

The costs of building and acquiring capital assets (land, land improvements, buildings, vehicles and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the statement of net assets includes those capital assets among the assets of the CSA as a whole, and their original costs are expensed annually over their useful lives. Capital asset activity for governmental activities for the fiscal year ended June 30, 2007 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 171,057	\$ -	\$ -	\$ 171,057
Construction in progress	291,682	9,568	(6,734)	294,516
Total capital assets, not being depreciated	<u>462,739</u>	<u>9,568</u>	<u>(6,734)</u>	<u>465,573</u>
Capital assets, being depreciated:				
Land Improvements	1,134,325	48,911		1,183,236
Structures and improvements	1,450,154	-		1,450,154
Vehicles	150,591	-		150,591
Equipment	17,431	-	-	17,431
Total capital assets, being depreciated	<u>2,752,501</u>	<u>48,911</u>	<u>-</u>	<u>2,801,412</u>
Less accumulated depreciation for:				
Land Improvements	(608,441)	(38,059)	-	(646,500)
Structures and improvements	(613,778)	(30,865)	-	(644,643)
Vehicles	(110,685)	(19,235)	-	(129,920)
Equipment	(17,431)	-	-	(17,431)
Total accumulated depreciation	<u>(1,350,335)</u>	<u>(88,159)</u>	<u>-</u>	<u>(1,438,494)</u>
Total capital assets, being depreciated, net	<u>1,402,166</u>	<u>(39,248)</u>	<u>0</u>	<u>1,362,918</u>
Governmental activities capital assets, net	<u>\$ 1,864,905</u>	<u>\$ (29,680)</u>	<u>\$ (6,734)</u>	<u>\$ 1,828,491</u>

NOTE 5: SUBSEQUENT EVENT

Big Bear Valley Park and Recreation District purchased Big Bear Sports Ranch in October 2007. The total cost of the sports ranch, which included the land and various structures, was \$2,500,000. Proposition 12 was the funding source for the purchase of the property.

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 6: RETIREMENT PLAN

Plan Description

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (the "Plan") operating under the California County Employees Retirement Act of 1937 ("1937 Act"). It provides retirement, death, and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, the City of Chino Hills, the California State Association of Counties, the San Bernardino County Law Library, Crest Forest Fire Protection District, Mojave Desert Air Quality Management District (MDAQMD) and the South Coast Air Quality Management District (the "AQMD"), were later included, along with the County of San Bernardino (the "County"), and are collectively referred to as the "Participating Members". The plan is governed by the San Bernardino Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd floor, San Bernardino, California 92415-0014.

Fiduciary Responsibility

The Retirement Association is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. The Retirement Association publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. The Retirement Association is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes the Retirement Association pension trust fund as of June 30, 2007.

Funding Policy (amounts reported in thousands)

Participating members are required by statute (Sections 31621, 31621.2 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Members are required to contribute 8.97% - 12.84% for general members and 11.14% - 15.09% for safety members, of their annual covered salary of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follow: County General 12.03%, County Safety 24.84%. All employers combined are required to contribute 14.46% of the current year covered payroll. For 2007, the County's annual pension cost of \$194,130 was equal to the County's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Sections 31453 of the 1937 Act.

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 6: RETIREMENT PLAN – *Continued*

The County's annual pension cost and prepaid asset, computed in accordance with GASB 27, Accounting for Pensions by State and Local Governmental Employers, for the year ended June 30, 2007, were as follows:

Annual Required Contribution (County fiscal year basis)	\$ 194,130
Interest On Pension Assets	(33,738)
Adjustment To The Annual Required Contribution	<u>44,069</u>
Annual Pension Cost	204,461
Annual Contributions Made	<u>194,130</u>
Increase/(Decrease) in Pension Assets	(10,331)
Pension Asset, Beginning of Year	<u>838,933</u>
Pension Asset, End of Year	<u><u>\$ 828,602</u></u>

The following table shows the County's required contributions and percentage contributed, for the current year and two preceding years:

Year Ended June 30,	Annual Contributions Made		Percentage Contributed
	SBCERA	County	
2005	161,906	141,450	100%
2006	197,343	166,614	100%
2007	239,857	194,130	100%

The County, along with the AQMD, issued Pension Refunding Bonds (the "Bonds") in November 1995 with an aggregate amount of \$420,527. These Bonds were issued to allow the County and the AQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266. The current amount outstanding at June 30, 2007 is \$438,668.

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in a respective aggregate principal amounts of \$189,070, \$149,825, and \$125,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the SBCERA. The current amount outstanding at June 30, 2007 is \$459,930.

On April 16, 2008, the County issued its County of San Bernardino Pension Obligation Refunding Bonds, Series 2008, in the amount of \$160,900 to refund a portion of the

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 6: RETIREMENT PLAN – *Continued*

County of San Bernardino 1995 Pension Obligation Refunding Bonds, refund a portion of the County of San Bernardino Pension Obligation Bonds, Series 2004 A and refund all of the County of San Bernardino Pension Obligation Bonds, Series 2004 B.

NOTE 7: FEDERAL AND STATE GRANTS

From time to time the District may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds.

NOTE 8: SELF-INSURANCE

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$1 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$25 million is provided through a Risk Pool Agreement with California State Association of Counties (CSAC) Excess Insurance Authority ("EIA") Liability Program II. Workers' compensation claims are self-insured up to \$2 million per occurrence, and covered by CSAC EIA for up to \$10 million for employer's liability, and up to \$50 million for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with CSAC EIA Property Program.

The County supplements its self-insurance for medical malpractice claims with CSAC EIA, which provides annual coverage on a claim made form basis with a SIR of \$1 million for each claim. Maximum coverage under the policy is \$11.5 million per claim with an additional \$10 million in limits provided by the CSAC EIA General Liability II Program.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, also with CSAC EIA with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in the Department except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The incurred but not reported (IBNR) and incurred but not settled (IBNS) liabilities stated on the Department's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 4.75%. It is the Department's practice to obtain actuarial studies on an annual basis.

County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8: SELF-INSURANCE – Continued

The Department has a risk management investment program agreement with the Bank of New York to finance the self-insured general liability, automobile liability, workers' compensation, and medical malpractice programs. The Department's investment in the agreement totaled \$50.3 million at June 30, 2007.

The total claims liability of \$129.7 million reported at June 30, 2007 is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the claims liability amount in fiscal years 2006 and 2007 were:

Fiscal Year	Beginning of Fiscal Year Liability (in thousands)	Current-Year Claims and Changes in Estimates (in thousands)	Claims Payments (in thousands)	Balance at Fiscal Year-End (in thousands)
2005-06	\$115,714	\$46,926	(\$35,407)	\$127,233
2006-07	\$127,233	\$34,312	(\$31,862)	\$129,683

NOTE 9: TRANSFERS IN (OUT)

Interfund transfer transactions are used to close out a fund, reimburse an operating fund and transfer cash between operating funds and capital project funds. During the fiscal year ended June 30, 2007, the District made the following Interfund Transfers In and Out:

FUND	PURPOSE	AMOUNT
SSA	RESIDUAL EQUITY FROM CIP (CSE, CNG, CRP)	\$ 22,567
CNY	TRANSFER FROM OPERATING FUND (SSA) TO CIP FUND (CNY)	449
CQJ	TRANSFER FROM OPERATING FUND (SSA) TO CIP FUND (CQJ)	7,000
CRP	RESIDUAL EQUITY TO OPERATING FUND (SSA)	(4,726)
CSE	RESIDUAL EQUITY TO OPERATING FUND (SSA)	(17,406)
CNG	RESIDUAL EQUITY TO OPERATING FUND (SSA)	(435)
SSA	TRANSFER TO CIP FUND--SKI BEACH (CNY)	(449)
SSA	TRANSFER TO CIP FUND--MILLER PAVING PROJ (CQJ)	(7,000)
	Net interfund transfers	<u><u>\$ -</u></u>

**County of San Bernardino
Big Bear Valley Park and Recreation District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 10: PROPOSITION 111 APPROPRIATION LIMITS

Proposition 111, which added Article XIII B to the State Constitution, established limits on budget appropriations in order to restrict government spending. We have reviewed the proceeds of taxes received by the District during the 2006-2007 fiscal year, and have found the revenue to be within the guidelines established by Proposition 111.

Required Supplementary Information
County of San Bernardino
Big Bear Valley Park and Recreation District
Budgetary Comparison Schedule – Special Revenue Fund (General)
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,336,404	\$ 1,336,404	\$ 1,580,315	\$ 243,911
State assistance	-	-	21,917	21,917
Other governmental assistance	-	-	21,827	21,827
Investment earnings	30,030	30,030	24,773	(5,257)
Charges for services	478,000	478,000	461,030	(16,970)
Other	300,900	300,900	2,008	(298,892)
Total revenues	<u>2,145,334</u>	<u>2,145,334</u>	<u>2,111,870</u>	<u>(33,464)</u>
EXPENDITURES				
Salaries and benefits	1,091,260	1,091,260	1,008,747	82,513
Services and supplies	891,266	930,266	910,050	20,216
Reserves and contingencies	515,666	515,666	-	515,666
Total expenditures	<u>2,498,192</u>	<u>2,537,192</u>	<u>1,918,797</u>	<u>618,395</u>
Excess of revenues over (under) expenditures	<u>(352,858)</u>	<u>(391,858)</u>	<u>193,073</u>	<u>584,931</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	22,567	22,567
Transfers out	(400,000)	(361,000)	(7,449)	353,551
Total other financing sources (uses)	<u>(400,000)</u>	<u>(361,000)</u>	<u>15,118</u>	<u>376,118</u>
Net change in fund balance	<u>\$ (752,858)</u>	<u>\$ (752,858)</u>	<u>208,191</u>	<u>\$ 961,049</u>
Fund balance - beginning			<u>711,576</u>	
Fund balance - ending			<u>\$ 919,767</u>	

Required Supplementary Information
County of San Bernardino
Big Bear Valley Park and Recreation District
Budgetary Comparison Schedule – Special Revenue Fund (Zoo)
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 98,906	\$ 98,906	\$ 98,906	\$ -
Investment earnings	1,500	1,500	6,318	4,818
Charges for services	375,000	375,000	412,458	37,458
Operating grants & contributions	9,000	9,000	4,936	(4,064)
Other	39,423	39,423	-	(39,423)
Total revenues	523,829	523,829	522,618	(1,211)
EXPENDITURES				
Salaries and benefits	410,476	410,476	298,518	111,958
Services and supplies	186,429	187,329	187,228	101
Reserves and contingencies	51,002	51,002	-	51,002
Total expenditures	647,907	648,807	485,746	163,061
Excess of revenues over (under) expenditures	(124,078)	(124,978)	36,872	161,850
OTHER FINANCING SOURCES (USES)				
Transfers in	16,626	17,526	-	(17,526)
Total other financing sources (uses)	16,626	17,526	-	(17,526)
Net change in fund balance	<u>\$ (107,452)</u>	<u>\$ (107,452)</u>	36,872	<u>\$ 144,324</u>
Fund balance - beginning			115,256	
Fund balance - ending			<u>\$ 152,128</u>	

**Required Supplementary Information
County of San Bernardino
Big Bear Valley Park and Recreation District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

	SPECIAL REVENUE FUNDS				Total
	SR Trans Proj (SSB)	Zoo Project (SSC)	SR Nutrition Program (SSH)	Other Nonmajor Governmental Funds	Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,337	\$ 70,344	\$ 24,732	\$ -	\$ 97,413
Interest receivable	-	801	75	-	876
Total assets	<u>\$ 2,337</u>	<u>\$ 71,145</u>	<u>\$ 24,807</u>	<u>\$ -</u>	<u>\$ 98,289</u>
LIABILITIES AND FUND BALANCES					
Liabilities:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41</u>	<u>\$ 41</u>
Fund balances:					
Encumbrances	-	-	-	3,020	3,020
Unreserved					
Undesignated	<u>2,337</u>	<u>71,145</u>	<u>24,807</u>	<u>(3,061)</u>	<u>95,228</u>
Total fund balances	<u>2,337</u>	<u>71,145</u>	<u>24,807</u>	<u>(41)</u>	<u>98,248</u>
Total liabilities and fund balances	<u>\$ 2,337</u>	<u>\$ 71,145</u>	<u>\$ 24,807</u>	<u>\$ -</u>	<u>\$ 98,289</u>

County of San Bernardino
Big Bear Valley Park and Recreation District
Combining Statement of Revenues, Expenditures and Change in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007

	<u>SPECIAL REVENUE FUNDS</u>				
	<u>SR Trans Proj (SSB)</u>	<u>Zoo Project (SSC)</u>	<u>SR Nutrition Program (SSH)</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES					
Investment earnings	\$ 137	\$ 3,687	\$ 302	\$ 2,214	\$ 6,340
Other governmental assistance	-	-	37,199	-	37,199
Operating grants & cash contributions	-	-	5,820	-	5,820
Total revenues	<u>137</u>	<u>3,687</u>	<u>43,321</u>	<u>2,214</u>	<u>49,359</u>
EXPENDITURES					
Services and Supplies	\$ 108	\$ -	\$ 23,128	\$ 449	\$ 23,685
Capital outlay:					
Structures and improvements	-	-	-	42,177	42,177
Total expenditures	<u>108</u>	<u>-</u>	<u>23,128</u>	<u>42,626</u>	<u>65,862</u>
Excess of revenues over (under) expenditures	<u>29</u>	<u>3,687</u>	<u>20,193</u>	<u>(40,412)</u>	<u>(16,503)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	7,449	7,449
Transfers out	-	-	-	(22,567)	(22,567)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,118)</u>	<u>(15,118)</u>
Net change in fund balance	29	3,687	20,193	(55,530)	(31,621)
Fund balance - beginning	<u>2,308</u>	<u>67,458</u>	<u>4,614</u>	<u>55,489</u>	<u>129,869</u>
Fund balance - ending	<u>\$ 2,337</u>	<u>\$ 71,145</u>	<u>\$ 24,807</u>	<u>\$ (41)</u>	<u>\$ 98,248</u>